

CABINET

2 NOVEMBER 2010

REPORT OF THE CABINET MEMBER FOR FINANCE, REVENUES AND BENEFITS

Title: Dagenham and Redbridge Football Club Lease	For Decision
<p>Summary:</p> <p>Dagenham and Redbridge Football Club (DRFC) were required to build a new stand at their ground to enable them to comply with Football League rules. In order to justify the substantial capital expenditure involved, DRFC have applied to the Council to surrender their existing lease (which has 16 years left to run) and take a new 30 year lease. It is proposed that the new lease will include the same general full repairing and insuring and other requirements as the existing lease.</p> <p>The rent will be subject to five yearly reviews to a market rate for this type of property.</p> <p>Wards Affected: Eastbrook and Alibon</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Approve the surrender of Dagenham and Redbridge Football Club's existing lease and to grant a new 30 year full repairing and insuring lease on the same terms and conditions as the existing agreement, subject to bringing the rent up to date with current open market value and drafting the necessary legal documentation to modern standards.(ii) Authorise the Corporate Director of Finance and Resources, in consultation with the Council's Legal Partners, to agree the final terms of the lease.	
<p>Reason(s)</p> <p>To assist in achieving the Community Priorities of "Healthy" and "Fair and Respectful".</p>	
<p>Comments of the Chief Financial Officer</p> <p>The new lease will help secure DRFC's future and avoid the possibility of them being automatically relegated by the Football League on the grounds of non-compliance with League rules for sports stadia.</p>	
<p>Comments of the Legal Partner</p> <p>The proposal involves surrender and re-grant of the lease to DRFC as detailed elsewhere in this report. The Council's Constitution's at part D sets out the Council's Land Acquisitions and Disposals Rules. The Rules require the approval of the Council's Cabinet where a lease for more than 20 years is granted.</p>	

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1. Background

- 1.1 DRFC hold a lease from the Council of their ground at Victoria Road, Dagenham (50 years from February 1976) meaning that they have 16 years left unexpired under the lease.
- 1.2 At the 17 February 2009 meeting (Minute 133), the Cabinet approved grant and loan funding totalling £450,000 to DRFC as part of a wider set of finance packages to enable the club to develop a new stand at the ground. The stand was essential for the club to meet Football League standards and avoid the possibility of the Football League automatically relegating DRFC due to failure of the ground to meet the requirements for League grounds. The Cabinet will recall that the finance package from the Council was granted in order to secure the various community benefits outlined in the body of the 17 February report.
- 1.3 DRFC have applied to the Council to renegotiate their lease for a longer term arrangement so that they can meet their backers' requirements for securing the grant and loan arrangements they put in place for the developments.
- 1.4 By enabling DRFC to meet the Football League requirements to continue playing as a Football League Club, the proposal will positively promote the Borough's name nationally by virtue of DRFC's status as a Football League Club and thereby improve pride in the Borough. The Club also provides a significant local community and leisure resource.

2. Proposal

- 2.1 Subject to the Cabinet's approval, terms have been agreed with DRFC to surrender the 1976 lease and to grant a new 30 year lease incorporating the same general terms and conditions as the existing lease. Where necessary some of the terms and conditions may have to be changed to reflect modern requirements. The new lease will be granted on a full repairing and insuring basis and the rent is to be reviewed to current market value subject to a five yearly rent review pattern.
- 2.2 The current rent payable under the 1976 lease is £22,000 p.a. and was set for the period May 2006 – May 2011. However, the Council's external managing agents have advised that the current rental value is £24,250 – £27,000 p.a., with a suggested settlement figure of c.a. £26,000 p.a.

- 2.3 The new lease will therefore meet the necessary requirements for DRFC's grant and other finance arrangements for building the new stand and will help to secure their future status as a Football League Club. This will also have the benefit of helping to secure the Council's commercial income from the property.

3. Financial Issues

- 3.1 The new lease will be granted at the current open market rent.
- 3.2 By supporting the security of the club's future, the proposal will help secure the Council's long-term income from the property into the future, as possible alternative revenue, or capital generating users for the site are very limited.

4. Legal Issues

- 4.1 The proposal involves the surrender of the current lease to DRFC and re grant of a new long lease of 30 years on the same terms and conditions as the current lease, but subject to bringing the rent up to current market levels and to the lease being in line with modern drafting standards.

5. Other Implications

- 5.1 **Customer Impact:** The new stand was considered essential to preserving DRFC's future status as a Football League club. The site is also a local sporting venue and is used by the local community and provides local employment opportunities and community activities.
- 5.2 **Property / Asset Issues:** In "Planning" terms, there are few other commercial uses for the property.

6. Options appraisal

- 6.1 There are few other possible commercial users for the building as restrictions under "Planning" limit the options available to the Council to use the premises for other purposes should the club fail. It is therefore in the Council's long term financial interest as the landlord of the property to do what it reasonably can to accommodate and support the tenant's request for a longer lease.

7. Background Papers Used in the Preparation of the Report:

- "Dagenham and Redbridge Football Club" Report and Minute, 17 February 2009

8. List of appendices:

None.